



YOUR BENEFIT HANDBOOK

Department of Employee Trust Funds
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INTRODUCTION

This handbook provides general information about the benefit plans administered by the Department of Employee Trust Funds (ETF) that are available to eligible public employees. It is intended to inform covered employees about provisions of the benefit plans. The legal provisions governing the benefits are contained in Chapter 40 of the Wisconsin Statutes, master contracts, and the Wisconsin Administrative Code.

The ETF benefit programs include:

- Wisconsin Retirement System (WRS)
- Group Life Insurance
- Group Health Insurance
 - Wisconsin Public Employees
 - Local Annuitant Program for Public Employees
 - State of Wisconsin Employees
- Group Income Continuation Insurance
 - Wisconsin Public Employees
 - State of Wisconsin Employees
- Long-Term Disability Insurance (LTDI)
- Long-Term Care Insurance
- Deferred Compensation Program
- Employee Reimbursement Account Program
- Accumulated Sick Leave Conversion Credits Program

The retirement benefit calculation provisions described in this handbook apply to individuals covered by the Wisconsin Retirement System, but may not apply if your last covered date of service was prior to January 1, 2001. Please review this handbook carefully to determine which benefit provisions apply to you.

There are five Boards of Trustees in the Department of Employee Trust Funds. The Boards set policy and review the overall administration of the benefit programs provided for state and local government employees. The five Boards are:

- Employee Trust Funds Board
- Teachers Retirement Board
- Wisconsin Retirement Board
- Group Insurance Board
- Deferred Compensation Board

WISCONSIN RETIREMENT SYSTEM (WRS)

Retirement Benefit Structure

The Wisconsin Retirement System (WRS) contains two distinct retirement benefit plans:

- A money purchase retirement plan
- A formula benefit retirement plan

The money purchase retirement plan guarantees that your retirement benefit will never be less than the annuity provided by an amount equal to your required contributions with interest, plus an equal amount of employer contributions with interest. Therefore, your employer will pay for at least one-half the total cost of your retirement benefit.

The formula benefit retirement plan pays retirement benefits based on your final average earnings, a formula factor based on your employment category(ies), years of creditable WRS service, age at retirement and annuity option you select.

Whenever a formula benefit is paid, employer contributions pay for the higher cost of the formula benefit over the amount provided by the money purchase benefit. Therefore, if you receive a formula benefit your employer pays *more* than one-half of the total cost.

Your retirement benefit will be calculated under both plans and based on the plan that provides you with the higher benefit.

Retirement Plan Objectives

If you are a *career public employee* and retire at your normal retirement age, the intent is that your formula retirement benefit, when added to your Social Security benefit, will produce a total retirement income of between 50% and 85% of your pre-retirement gross earnings. This objective was established by the Wisconsin Legislature in recognition that retirees normally pay less in income tax, and will have decreased expenses for child-rearing, clothing, transportation, etc.

A full career of public employment is considered to be 25-30 years of service or more. You should plan on supplementing your retirement income with your own savings program, especially if part of your career has been employment not covered by the WRS or if you intend to retire early. You should also consider any benefits you may receive from other retirement systems.

Which Employers Participate

- The State of Wisconsin
- All Wisconsin counties
- Wisconsin Technical College System and/or districts

- Cooperative education service agencies (CESA) for teaching personnel; most also cover non-teaching personnel
- All public school districts for teaching personnel; most also cover non-teaching personnel
- Any other public employer in the State of Wisconsin that elects to participate, except the City of Milwaukee and Milwaukee County

NOTE: Some cities and villages are required to provide WRS coverage only for eligible employees who serve as police or firefighters. If you are employed by such a city or village as a general employee or elected official, you are not eligible to participate in the WRS unless your employer has taken action to provide retirement coverage for all eligible personnel.

Eligibility to Participate

As an employee of a state agency or other participating employer in the WRS, you must be included as a WRS participating employee if you receive earnings for personal service and are either expected to work at least one-third of full time in one year, or actually work at least one-third of full-time for one year.

Mandatory Employee Contributions

Contributions for WRS coverage must begin on the first day you are eligible for coverage. By statute the mandatory contribution is a percentage of covered salary, and varies by employment category.

If you are eligible to participate in the WRS, you must contribute to the plan unless your employer makes the mandatory employee contributions on your behalf as a fringe benefit. Legislation was enacted in 1984 to substantially improve retirement benefits for career public employees in the WRS. To help pay for these benefit improvements the law included a mandatory “Benefit Adjustment Contribution.” The Benefit Adjustment Contribution is a mandatory employee contribution that is not credited to your individual account, but is used to fund overall system benefit liabilities.

Mandatory Employee Contribution Rates	
Employment Category	2003
General Employees/ Teachers/Educational Support Personnel	5.4% (includes 5% refundable Employee Required Contribution & .4% non-refundable Benefit Adjustment Contribution)
Protectives with Social Security	4.0%
Protectives without Social Security	2.4%
Elected Officials & State Executive Retirement Plan Employees	2.6%

Employee Required Contributions, whether paid by you or by your employer as a fringe benefit, are credited to your WRS account for benefit purposes.

Employer Contributions

Your employer is required to contribute an amount which, when added to your contributions and investment earnings, will pay for the benefit you and your beneficiary(ies) will be eligible to receive.

The employer contribution, actuarially determined each year, is expressed as a percentage of all earnings which are subject to required contributions.

	Mandatory Employer Contribution Rates
Employment Category	2003
General Employees/ Teachers/Educational Support Personnel	4.0%
Protectives with Social Security	7.1%
Protectives without Social Security	9.8%
Elected Officials & State Executive Retirement Plan Employees	8.1%

Employers also may pay other contributions for unfunded actuarial accrued liability, § 40.65 duty disability benefits and accumulated sick leave conversion credit program.

Additional Contributions

Regular Additional. As a participating employee in the WRS you may make voluntary additional contributions to your account in order to supplement your regular WRS benefit. You can make after-tax additional contributions by payroll deductions through your employer or by direct payment to this Department. The contribution itself is not tax-deductible, but the interest it earns is tax-deferred until you receive the benefit. You may use monies in your additional account to purchase any creditable service that you are eligible to buy under the WRS. Employee additional contributions are subject to federal annual contribution limits.

Employer Additional. Employers may make additional contributions for participating employees. Taxes on both the contribution and the interest are deferred until a benefit is received. Lump-sum withdrawals of employer additional contributions are generally not permitted. Employer additional contributions are subject to federal annual contribution limits.

Tax Deferred Additional. Employees of teaching institutions may make tax-deferred or tax-sheltered additional contributions to the WRS under Sec. 403(b) of the Internal Revenue Code, provided the employer participated in this program by

May 17, 1982. Such tax-deferred contributions are not subject to state or federal income tax until actually received as a benefit. You must arrange participation in the tax-deferred plan through your employer and your employer must determine your annual tax-deferred contribution limits. You may use monies in your tax-deferred additional account to purchase any creditable service that you are eligible to buy under the WRS.

Tax-deferred additional contributions, plus the interest credited to your account, are not subject to state and federal income tax until they are distributed to you or your beneficiary. However, Social Security tax and the required employer and employee contributions to the WRS are based on your gross salary amount, before the tax-deferred additional reduction.

Annual WRS Contribution Limits

Federal tax law states that the amount of contributions to a qualified pension system, such as the Wisconsin Retirement System, are subject to annual limitations. The total contributions in any calendar year that apply to your annual limit is subject to Internal Revenue Code limits. Current year contributions limits can be obtained through DETF and cannot exceed 100% of your gross compensation for that year, up to a maximum of \$40,000. **If you are 50 years of age or older this amount can be increased by \$2,000 for calendar year 2003.**

Gross compensation includes tax-deferred contributions, tax-sheltered annuities, deferred compensation, employee reimbursement account contributions, lump sum payments and expense reimbursements.

The following contributions apply toward your annual limit:

- All employee required contributions to the WRS (whether they are paid by you or paid by your employer)
- A matching amount of employer required contributions (regardless of the actual employer required contribution rate for that year)
- The benefit adjustment contribution (BAC) amount that is paid by you
- Any voluntary regular (after-tax) additional contributions
- Any additional contributions made directly by your employer to your account (employer additional contributions)

Investment of Your Additional Contributions

Your additional and tax-deferred additional contributions will be deposited into the WRS fixed trust, unless you have elected to participate in the variable trust. If you elected to participate in the variable trust since it was reopened to participants in 2000, one half of your additional contributions will be deposited into the variable trust.

The WRS fixed and variable trusts are invested by the State of Wisconsin Investment Board. Earnings are credited based on your account balance on January 1 of each year. Amounts that are contributed during the year receive no investment return until the following year. As you decide when to make additional contributions to the WRS, it is important to remember that you will not receive any earnings on these amounts during the year they are contributed.

Interest and variable gains and losses are credited to your WRS additional account at the effective rate. A brochure entitled *Investment Earnings Distribution Report* is available that shows the earnings to the fixed and variable accounts for the past ten years. You will receive the effective rate interest on your additional account balance until January 1 of the year you initiate a benefit. For the year your benefit begins, you will receive prorated interest at an assumed 5% rate for the period between January 1 and the end of the month prior to the month in which the benefit is approved.

Benefit Payment Options

When you terminate employment or retire from your position covered by the WRS, you may elect to begin receiving a benefit or you may defer distribution up to April 1 of the year following the calendar year you attain age 70½. You cannot withdraw your additional contributions, regular or tax-deferred, until you terminate your WRS covered employment.

There is no minimum age for a distribution. However, if you terminate WRS participation prior to age 55, you may be subject to an early distribution penalty if you receive your balance before you attain age 59½. You should contact a tax advisor for more information regarding this potential tax penalty.

You may withdraw your additional contributions, both regular and tax-deferred, in a lump sum payment or an annuity. Annuity options are only available to you, for both your required contribution account and your additional account, if your monthly payment amount is \$139* or more per month. If you have both regular and tax-deferred additional, your benefit is based on the combined account balances.

If you are under age 55 (50 for protective employment categories) and withdraw your employee required contributions, your additional contributions are included in your lump sum separation benefit. If you leave your required contributions in the WRS, you may begin a withdrawal from your additional account immediately, or delay it until a later date. [See “Distribution Requirements” section.]

If you are over age 55 (50 for protective employment categories) and begin an annuity benefit from your required contributions, you may include your additional contributions with this benefit or elect to delay distribution until a later date.

* This amount is for payments made in 2003 and it is indexed upward annually.

However, if your required contribution benefit is a lump sum payment, your additional contribution account is also included in this payment.

If you select an annuity for your additional account balance alone, your annuity will be based on the balance in your account and the annuity rates in effect when the annuity begins. The number of payments you select cannot exceed your life expectancy based on federal mortality tables. For more information about the different benefit options, see the brochure entitled *Choosing An Annuity Option* (ET-4117).

Distribution Requirements

Distributions from your WRS required and additional account must comply with regulating federal tax laws. You must begin a distribution from both your required and additional accounts by your required begin date. **Your required begin date is April 1 of the year following the calendar year you reach age 70½ or the year you retire, if this is later.**

You also are subject to minimum distribution rules. Federal tax law requires that a minimum amount be paid to you from your WRS account beginning with your 70½ year, or the year you retire if this is later. What this means is that if you delay beginning your distribution until your required begin date, your first year payment, during your 71½ year, must also include the minimum distribution amount for the previous year. If you fail to meet the minimum distribution requirements, you may be subject to substantial federal excise tax penalties.

Wisconsin statutes require that you **apply** for a benefit from your required and additional accounts no later than the end of the year that you reach age 69½, or the year you terminate employment if later. If you are age 69, you may elect a later date for your benefit distribution, up to your required begin date.

The Department will notify you during your 69½ year, or the year you retire if later, that you must apply for a distribution. However, if you fail to submit a benefit application by the end of the year you reach age 69½ or the year you retire if later, the Department may initiate an automatic distribution from your account effective on the following January 1.

You may request benefit estimates from the Department up to one year in advance of your anticipated benefit date. For information about the federal distribution requirements, please contact the Internal Revenue Service or your tax consultant.

Death Benefits

There are specific requirements that apply to distributions to your beneficiary. If you die after you receive monthly payments from your additional contributions, the

death benefit is based on the annuity option you selected. Any payments your beneficiary is entitled to, must continue to be paid out at that time. Distribution cannot be delayed.

If you die before your benefit from your additional account begins, your beneficiaries are subject to the following restrictions:

If your beneficiary is your spouse: Your surviving spouse may delay receiving a benefit until the January 1 of the year you would have reached age 70½. Your spouse must file a beneficiary designation form with the Department by September of the year following your death to be allowed to postpone this distribution.

If your beneficiary is not a spouse: Your beneficiary(ies) has two options. 1) begin a monthly annuity payment effective no later than November of the year following the calendar year in which you die; or 2) apply for a lump sum payment of your entire additional account balance by September of the fifth year after your death.

Rollovers to Another Plan

To avoid an immediate tax liability on a lump sum payment or an annuity certain of less than 10 years (120 months), you may roll over your payments from your WRS account, both required and additional, directly into an eligible employer plan or a traditional Individual Retirement Account (IRA). To accomplish this, you must submit an *Authorization for Direct Rollover* form with your benefit application.

You are responsible for ensuring the receiving institution is qualified to receive this rollover. The check(s) for the amount of your rollover payment(s) is issued to the receiving financial institution, but is mailed directly to you. You are responsible for transmitting the check(s) to the receiving institution. Note: If you are over age 70½, the amount you can roll over may be limited. Consult your tax advisor for information.

You may not roll in, or transfer, dollars into your WRS account from other qualified retirement plans, Sec. 403(b) tax deferred annuity plans or Section 457 deferred compensation plans. At this time, the WRS cannot accept any rolled-in amounts.

YOUR WISCONSIN RETIREMENT SYSTEM (WRS) ACCOUNT PROVIDES FOUR TYPES OF BENEFITS

No WRS benefit may be paid unless the Department receives the appropriate and completed application form(s). Application forms for Separation Benefits, Retirement Benefits, Disability Benefits, and

Death Benefits must be requested directly from ETF. If you are an alternate payee pursuant to a Qualified Domestic Relations Order (divorce), contact this Department for benefit application information.

Separation Benefits

To be eligible for a benefit payment you must terminate all employment covered by the WRS and have your termination date reported to the Department by your employer.

If you terminate employment under the WRS before you reach age 55, you can apply for a separation benefit. Your application must be received in this Department before your 55th birthday (50th for protective employees). However, if you began covered WRS employment after 1989, terminated WRS employment before April 24, 1998, and have service in less than five calendar years, you can apply for a separation benefit at any age.

A separation benefit is not a retirement annuity; rather, it is a withdrawal. Except for the non-refundable “Benefit Adjustment Contribution,” a separation benefit will include all employee contributions made to your account (whether deducted from your salary or paid on your behalf by your employer), plus accumulated interest. However, it does not include the employer–required contributions that would have been available for a retirement benefit at age 55 (50 for protectives).

If you file a separation benefit application for your employee–required contributions, your separation benefit will include your additional contributions, if any.

If you return to covered WRS employment within 30 days after applying for a separation benefit, you are not eligible for the separation benefit.

Once you apply for and receive a separation benefit your account is closed, and all rights to any benefit based on the service credits earned prior to that separation are forfeited.

A separation benefit is taxable in the year payment is made. Tax information will be enclosed with your separation benefit check. All moneys paid to you that have not been previously taxed are considered taxable income when received. Federal law requires ETF to withhold 20% of the taxable amount unless you roll the payment directly into a traditional IRA or an eligible employer plan. Separation benefits paid prior to age 59½ are also subject to a 10% federal early distribution tax unless you terminated your employment in the year you reached age 55 or later. If your benefit is subject to the federal tax, it is also subject to a Wisconsin state tax. The Wisconsin excise tax is 33% of the federal early distribution tax. You may defer or avoid taxes by rolling your separation benefit over into a traditional IRA or to an eligible employer plan. Please contact the IRS, the Wisconsin Department of Revenue, or your tax consultant for further information.

You may repurchase the service forfeited by a separation benefit if you return to WRS covered employment for at least three years and meet the eligibility requirements in effect when you apply to purchase the forfeited service.

You do not have to take a separation benefit. Even though you terminate your public employment, you may leave your contributions in the WRS until you reach age 55 (age 50 if protective) or later, at which time you will be eligible for a monthly retirement benefit or (depending on the monthly amount) a single sum payment of the present value of a retirement benefit. Exception: If you began covered WRS employment after 1989, terminated WRS employment before April 24, 1998, **and** have service in less than five calendar years, you are eligible only for a separation benefit, regardless of age. However, you can leave your contributions in the WRS and return to covered employment at a later time; when you subsequently terminate WRS employment you would be eligible for a retirement benefit at age 55 (age 50 if protective).

Retirement Benefits

Minimum retirement age is the earliest age at which you can begin receiving a retirement annuity.

Normal retirement age is the age at which you may begin receiving a retirement annuity that is not reduced by an actuarial reduction factor. The minimum and normal retirement ages for the various employment categories are as follows:

Employment Category	Minimum Retirement Age	Normal Retirement Age
General Employees and Teachers	55	65*
Elected Officials and State Executive Retirement Plan Employees	55	62*
Protective Occupation Employees with less than 25 years of creditable service	50	54
Protective Occupation Employees with 25 or more years of creditable service	50	53
Protective Occupation Employees who terminated before 1982 regardless of years of service	55	55

** If you have at least 30 years of WRS creditable service, you can receive a retirement benefit with no actuarial reduction at age 57.*

At age 55 (50 if protective) you can receive a retirement benefit, except that if you began WRS covered employment after 1989, and terminated WRS employment before April 24, 1998, you must have service in at least five calendar years to be eligible for a retirement benefit.

You should request a retirement estimate/application six to twelve months before your planned retirement date.

Years of Creditable Service

Creditable service means the service, in years, for which you have received credit under the WRS. Included in creditable service is all service for which contributions have been made to the WRS, any service you have purchased, and any retirement service credit you have been granted by your employer based on employment with that employer prior to the date your employer joined the WRS.

Buying Creditable Service

There are several circumstances under which you can purchase creditable service in the WRS. These include:

Forfeited Service: If you took a separation benefit (see page 9) at any time during your career, you forfeited the creditable service earned prior to the separation benefit. You can purchase credit for the forfeited service if you meet the eligibility requirements.

Qualifying Service: Before January 1, 1973, participants in the former Wisconsin Retirement Fund did not contribute nor receive service credit for a qualifying period, normally for a six-month period. You can purchase service credit for this period. This qualifying period of employment applied only to non-teaching employment.

UW Teacher Improvement Leave and Uncredited Junior Teaching: Under certain circumstances, UW Teacher Improvement Leave and uncredited junior teaching may also be purchased.

Uncredited State Executive Service: Participants who were in the state executive retirement plan who worked in an executive position beyond age 62 and did not accrue creditable service may purchase that service.

Other Government Service: You may be eligible to purchase service with a government employer not participating in the WRS and/or service with a WRS employer that you worked with before that employer participated in the WRS.

If you have service to buy, you should request cost information at least a year before you plan to retire. It may be to your advantage to purchase the service

even earlier, because the cost generally increases as your annual earnings increase.

If you have pre-tax money in a qualified retirement plan other than the WRS, you may be eligible to directly transfer pre-tax monies from your separate retirement plan to the WRS to pay for your qualifying service. Retirement plans from which the Department can accept plan-to-plan transfers of funds to buy WRS creditable service include plans qualified under sections 401(a), 401(k), 403(b) and 457(b) of the Internal Revenue Service code. **You will not have an immediate tax liability on the monies transferred from the outside qualified retirement plan to the WRS to buy WRS creditable service.**

Credit for Military Service

Active military service may be creditable toward your retirement benefit if you meet certain eligibility requirements. If the military service was a break in continuous covered employment (“continuous military service”), credit is granted when you return to work and provide proof of the service. You may have additional rights under federal law if you interrupt covered employment to perform military service.

If you had active military service before or after all your WRS service (non-continuous military service), you are eligible for military service credit granted on a prorated basis of one year of military service credit for each five years of creditable service, up to a maximum of four years of military service credit. Exception: Service after December 31, 1973 is not eligible for non-continuous military service credit.

It is your responsibility to provide this Department with a photocopy of your military records showing the date of entry and discharge (other than dishonorable) from active duty. Credit for non-continuous military service is granted to eligible employees at retirement.

Final Average Earnings

The term “final average earnings” refers to your average monthly earnings during the three years of highest earnings covered by the WRS. The years do not have to be consecutive.

For teachers, judges and justices, annual earnings are those amounts earned within a fiscal year that begins July 1 and ends on June 30. Beginning July 1, 1997 the annual earnings period for non-teaching school district employees is also fiscal year. Beginning July 1, 1998, the annual earnings period for non-teaching technical college or CESA educational support personnel is fiscal year.

For all other employees, annual earnings are those amounts paid within the calendar year that begins January 1 and ends on December 31.

To calculate your final average earnings, take the total amount reported as earnings* for the three highest years and divide those earnings by the years of creditable service granted during the same period, then divide by 12 to arrive at your final average monthly earnings.

** Your WRS reportable earnings may be different then the earnings reported on your W-2 for the year.*

Formula Multiplier

The formula multiplier is established by state statute and is used in a formula benefit calculation. As authorized by 1999 Wisconsin Act 11, the formula multiplier for WRS creditable service performed before 2000 is 0.165% higher than the formula multiplier for WRS creditable service performed after 1999. Note: To be eligible for the higher formula multipliers for creditable service performed before 2000, you must be actively employed under the WRS after 1999. The formula multipliers for the different employment categories are:

Employment Category	Formula Multipliers	
	Pre-2000	Post-1999
General Employees and Teachers	1.765%	1.6%
Protectives with Social Security	2.165%	2.0%
Protectives without Social Security	2.665%	2.5%
Elected Officials & State Executive Retirement Plan Employees	2.165%	2.0%

Retirement Age

If you terminate from a non-protective category position you may begin a retirement benefit at any time after you reach age 55. If you are a protective category employee you can begin a retirement benefit once you reach age 50. However, if you retire before reaching your normal retirement age, your monthly annuity payment will be reduced to reflect the longer period of time over which your monthly annuity payments will be made. See the chart of minimum and normal retirement ages on page 10.

If you retire before your normal retirement age, your annuity is reduced by a small percentage for each month between your actual age and your normal retirement age. Prior to age 57, the reduction is 0.4% per month (4.8% per year). Beginning with age 57, the reduction is less than 0.4% per month, depending on your number of years of creditable service. For non-protective employees with at least 30 years of creditable service, the actuarial reduction at age 57 is zero.

If you terminated employment on or after May 16, 1989, but before July 1, 1990, your normal retirement age is 62 (age 55 for protective occupation employees), reduced by the number of years of creditable service in excess of 23, but no less

than age 55 (age 50 for protective occupation employees). The full 0.4% reduction applies for each month prior to your normal retirement age.

If you continue to work beyond your normal retirement age, you will continue to earn additional years of creditable service.

Formula Benefit Calculation

If you terminated WRS-covered employment prior to 2000, your WRS formula benefit may not exceed 65% (85% for protective employees not covered by Social Security) of the final average earnings used in your formula benefit computation. This is the maximum formula benefit retirement payable.

If you were actively employed under the WRS after 1999, the maximum formula retirement benefit limit is 70% of final average earnings for all employment categories **except the protective categories**. The maximum formula benefit remains at 65% of final average earnings for protective category employees covered under Social Security, and at 85% for protective employees not covered under Social Security (firefighters).

Assuming you have reached normal retirement age, the formula benefit annuity would be the *lower* of the following two calculations:

1. Monthly final average earnings x formula multiplier (0.01765, 0.02165 or 0.02665) x years of creditable service prior to 2000, plus monthly final average earnings x formula multiplier (0.016 or 0.020 or 0.025) x years of creditable service after 1999 = monthly annuity
2. Monthly final average earnings x 70% (65% for protectives with Social Security and 85% for protectives without Social Security) = maximum formula benefit payable.

Variable participants: When you retire, your formula benefit will be increased or decreased based on the investment experience of the variable fund. The maximum formula benefit test is applied **before** the variable adjustment is applied to your formula annuity.

County and City of Milwaukee and WRS Reciprocity

If you have service under both the WRS and the City or County of Milwaukee retirement systems and have not yet taken a benefit on any account, you may be eligible to elect to have your retirement benefits calculated to provide a higher long-term benefit. Benefits from both systems must begin within 60 days of each other. When you are within six to twelve months of beginning a retirement benefit, please contact this Department for information that will help you evaluate whether having your benefit calculated using the reciprocity provisions would provide you with a higher total benefit.

Monthly Annuities and Lump Sum Retirement Benefits

All formula benefit and money purchase retirement annuities are paid for your lifetime. Lifetime annuities can be paid in a number of optional forms, which provide varying amounts of benefit protection for your beneficiaries.

Retirement annuities over a certain amount must be paid in monthly payments. This amount is \$281 or more per month. If your initial annuity amount is \$139 or less per month you will be required to take a lump sum payment of the present value of your annuity. For annuities between the \$139 and \$281 amounts, you will have a choice between a monthly annuity or a lump sum. The \$139 and \$281 amounts apply to annuities beginning in 2003 and will increase annually.

In some circumstances, a money purchase benefit based upon the total of employee and employer contributions plus interest will provide a higher benefit than the formula annuity. You will always receive the higher of the money purchase or formula annuity.

Retirees

To be eligible for a WRS retirement benefit, you must terminate all WRS-covered employment. You must remain separated from all WRS-eligible employment for at least 30 days after your termination date, 30 days after the date you filed your annuity application, or your annuity effective date, whichever is later. Failure to meet this 30-day break-in-service requirement will result in cancellation of your annuity.

There is no limit on the amount you may earn after you begin a WRS retirement benefit. If you are rehired in a position that meets WRS participation standards, you will have a choice of remaining an annuitant or electing coverage under the WRS. If you choose to be covered by the WRS again, you must file an election form with your employer. Your employer will forward your election to this Department. Your annuity will be terminated and your WRS coverage will begin effective on the first day of the month after the Department receives your completed election form. You can elect this coverage at any time. If you do not elect to become covered under the WRS and have your annuity terminated, your earnings will have no effect on your WRS annuity.

Disability Benefits

To be eligible for a disability benefit from the WRS, you must be totally disabled by a mental or physical impairment that is likely to be of an indefinite duration.

If you began or have a break in WRS participation on or after October 16, 1992 you are eligible to apply for Long-Term Disability Insurance (LTDI) benefits only (see LTDI on page 24.)

To qualify for a WRS disability benefit, you must not have reached the normal retirement age for your employment category, and have either a total of five years of creditable service out of the last seven calendar years or one-half year in each of five years of the seven calendar years preceding receipt of your disability application. You do not have to meet the service requirements if your disability is work-related. If your disability is work-related, the Department must receive your application for a disability annuity within two years of your last day worked.

A disability benefit is computed by multiplying the final average earnings and service times the “formula factor” for your employment category, except that in addition to credit for service actually earned you will be granted “assumed service credit” from the last day for which earnings were paid to the date you would have attained your normal retirement age. A disability benefit under the WRS is a monthly annuity payable for as long as you remain disabled.

If you are a protective occupation employee under the WRS, you may qualify for a special disability benefit if you become disabled after age 50 to the extent that you can no longer safely and efficiently perform the duties of your position as a protective occupation participant. You must meet the above service requirement and be between age 50 and 55 with at least 15 years of creditable service. As a protective occupation employee who meets certain criteria, you may be eligible for a duty disability benefit under Wis. Stat. § 40.65 that is not based on your WRS account.

To be eligible to continue to receive disability benefits, you will be required to submit medical and financial information on an annual basis. If you earn more than the statutory “earnings limit” your disability benefit will be suspended at the time you exceed the limit. There is no earnings limit with a special disability. However, a special disability benefit will be suspended for any period during which you are employed in a law enforcement or firefighting capacity. If your benefit is suspended, we will advise you of the date when your benefit will resume.

You may be required to supply medical evidence that you continue to be disabled. If your physician indicates that you are able to perform the duties of a gainful occupation for which the annual compensation would exceed the earnings limit, your disability benefit will be terminated.

Benefit payments from the federal Social Security program, either disability benefits or regular benefits, would be in addition to the amount payable from the WRS.

Consult the *Disability Benefits* brochure (ET-5102) for more information about these benefits.

Survivor Benefits

If you die before becoming eligible to receive a retirement or disability benefit from the WRS, your beneficiary(ies) will receive a survivor benefit. The amount of the benefit payable from your retirement account will vary depending on your age at the time of death, your creditable service, the amount of accumulated contributions in your account and the relationship of your beneficiary. In general:

- Other than the non-refundable Benefit Adjustment Contribution, the benefit will always include the full amount of employee required and additional contributions (whether paid by you or by your employer as a fringe benefit), plus interest credits to the date of death.
- If you were a participant in the WRS before 1966, the benefit may include employer contributions made to your account prior to 1966, plus accumulated interest.
- Effective December 30, 1999, if you die as an *active* WRS employee, your death benefit is the amount equal to your money purchase balance (the employee required contribution balance plus a matching amount of employer contributions), plus any voluntary additional contributions in your account.

Exception: Effective December 30, 1999, if you die as an active WRS employee after reaching minimum retirement age (age 55 for most; age 50 for protective occupation participants) and your beneficiary is a natural living person or a trust in which a living person has a beneficial interest, a higher death benefit may be payable. The benefit is the higher of your money purchase balance (plus any voluntary additional contributions) OR a death benefit calculated as though you retired on the date of death and selected a joint survivorship annuity continued in full to the natural living person who is your WRS beneficiary (or a trust in which a natural living person has a beneficial interest).

NOTE: Minimum retirement age is age 55 for most participants, and age 50 for protective category employees.

If you die after your retirement application has been received and approved and your retirement annuity has become effective, or after your disability application has been received and approved, any survivor benefit payable will be determined by the annuity option you selected.

It is important to keep your *Beneficiary Designation* current. In the event of your death, your survivors should contact the Department.

Unless you file a form with this Department naming specific beneficiaries prior to your death, any group life insurance or retirement death benefit payable to your

survivors will be paid according to the statutory standard sequence in effect at the time of your death. For more information on beneficiary designations, see pages 35-37.

GROUP INSURANCE BENEFITS

Group Life Insurance Program

If you are an employee of the state or of a local unit of government that has elected to join the Wisconsin Public Employers Group Life Insurance Program **and** you have been an active member of the WRS for at least six months, you may enroll in the group life insurance program.

Certain legislative members and employees, judges, and district attorneys and re-hired employees who have not applied for and received a separation benefit from the retirement system are eligible immediately. Employees who are age 70 before becoming eligible for coverage are only eligible to apply for the Age 70 and Over Additional Plan.

For eligible employees, coverage is provided without evidence of insurability if the application is received during the initial 30-day enrollment period. Late enrollees must give evidence of insurability and may not apply after age 55 (age 70 for spouse and dependent coverage and additional coverage).

The following levels of life insurance coverage are available:

The **Basic Plan** provides coverage equal to your earnings reported to the Wisconsin Retirement System (WRS) for the previous year, rounded to the next thousand. The Basic Plan also provides for a reduced amount of coverage when you are retired and over age 65 (or over age 70 if you are still working) without cost to you. Your employer is required to contribute to the cost of this insurance.

The **Supplemental Plan** provides coverage equal to your previous year's WRS earnings, rounded to the next thousand. The state contributes to the cost of this coverage for state employees. Local government employers are not required to contribute.

Each unit of the **Additional Plan** provides coverage equal to your previous year's WRS earnings rounded to the next thousand. Employer contributions are not required. If offered by your employer, you may choose 1, 2, or 3 units of Additional coverage.

Each unit of the **Age 70 and Over Additional Plan** provides coverage equal to your previous year's WRS earnings rounded up to the next thousand. If offered by your employer, you may choose 1, 2, or 3 units of coverage. If you are ac-

tively employed when you turn age 70, your Basic coverage will reduce to the final post-retirement coverage level and continue for life with no premiums due. Your Supplemental coverage and Spouse and Dependent coverage will cease on your 70th birthday.

Note: To be eligible for Age 70 and Over Additional coverage without providing evidence of insurability, you must be an active employee, have Additional insurance, and apply for Age 70 and Over Additional coverage within 30 days prior to your 70th birthday. If you are not covered by Additional insurance, but would like to apply for Age 70 and Over Additional, you may apply by submitting an *Evidence of Insurability* application (ET-2305).

The **Spouse and Dependent Plan** provides coverage for your spouse and all dependent(s). If you elect one unit of coverage, your spouse will have \$10,000 in coverage and each dependent (regardless of the number) will have \$5,000 in coverage. If you elect two units, your spouse will have \$20,000 in coverage and each dependent will have \$10,000.

All levels of coverage under the WPE group life insurance plan offer the following benefits:

Accidental Death and Dismemberment (AD&D)--All levels of employee coverage except the Age 70 and Over Additional plan include an AD&D benefit. The AD&D coverage does not apply to Spouse and Dependent coverage.

Living Benefits--Insured persons, including employees, annuitants, spouses and dependents, may apply to receive all or part of the value of their group life insurance coverage while still living if they meet certain criteria.

Conversion of Life Insurance to Pay Health or Long-Term Care Insurance--The value of your Basic life insurance coverage may be converted to pay premiums for your health or long-term care insurance after age 67 (66 for state employees). The health or long-term care insurance must be a policy offered through ETF. The conversion value (the present value) of your coverage is always less than the face amount of your life insurance.

Disability Premium Waiver--Your insurance can be continued and your premium waived if you become totally disabled and unable to work while you are under age 70 and still actively employed.

Consult the *Wisconsin Public Employers Group Life Insurance* brochure (ET-2101) for more information about these benefits.

Group Health Insurance Program

- **Local government employees**

If you are a local employee covered by the WRS and your employer has elected to participate in the program, you are eligible to enroll in the Wisconsin Public Employers' Group Health Insurance program.

Depending upon your geographic location, the program allows you a choice among two or more health care plans.

You may enroll either:

1. Within 30 days of hire (effective first of the month on or after receipt of your application); or
2. Prior to becoming eligible for the employer's contribution toward premium, with coverage effective the first of the month on or after the date the employer contribution begins. Check with your employer as to when you are eligible for employer contribution toward premium; this time varies among employers, but is never more than six months.

Your employer determines the beginning date and the amount of the employer contribution, within guidelines established by the program. The employer must contribute at least 50%, but no more than 105%, of the premium for the lowest-cost qualified health care plan available in the service area of the employer. (If you are appointed to a position working less than half-time, the minimum employer contribution is 25% of that premium.)

You may continue to be covered by the local employee group health insurance program during authorized leaves of absence (or layoff) and when you retire, provided you meet the eligibility requirements when you apply for your retirement benefit, and your employer remains participating in the program.

If you die, your covered surviving spouse and/or your covered dependent children are eligible to continue under the local employee group health insurance program for as long as the local employer remains participating in the program.

The employer contribution for group health insurance coverage is available for active employees. Employers may also pay group health insurance premiums for retired employees and the surviving spouse/dependent children if they elect to do so. Those participating employees who qualify for a disability benefit and whose compensation plan or contract provides for unused sick leave conversion to pay health insurance premiums have the option of using sick leave or converting it to credits to pay health insurance premiums through their employers.

- **Local Annuitant Program for Public Employees**

If you are employed by a local employer covered under the WRS, you are eligible for health insurance under the Local Annuitant Health Program when you begin your annuity. Single or family coverage is available. Eligible individuals age 65 or older and on Medicare will be issued a Medicare supplement plan.

To enroll in the program without providing evidence of insurability or serving a waiting period for pre-existing conditions, you must file both your insurance application and your annuity application with this Department within 60 days of the date you terminate employment. You may also enroll without providing evidence of insurability when you become age 65 and/or first enroll in Medicare Part B if you are over age 65, although you may still be subject to a waiting period for pre-existing conditions. You may apply at a later date, but you will then be required to provide evidence of insurability and a waiting period for pre-existing conditions may apply.

Survivors of deceased active employees who take the WRS death benefit as a monthly annuity may enroll without providing evidence of insurability if they file an application within 60 days of the date of death. In many situations, coverage is also available to the surviving spouse and eligible dependent children of a deceased retiree.

Annuitants pay the entire premium. If the annuity is large enough, payment is deducted from the WRS annuity; otherwise, annuitants are billed directly by the carrier.

- **State of Wisconsin Employees**

If you are a state employee covered by the WRS or in certain other jobs specified by statute, you may participate in the State of Wisconsin Employees Group Health Insurance Program. You may join either:

1. Immediately upon being hired (effective first of month following receipt of your application); or
2. Before completing six months of state service under the WRS (effective first of month following completion of six months).

If you obtain the group health insurance coverage immediately upon employment, you must pay the entire monthly premium until you have completed six months of state service under the WRS.

Upon completion of six months of service, you are eligible to receive the state contribution toward the premium payment. The state contribution will vary depending on which one of the health care plans available to state employees you

select. The employer contribution for the same plan can also vary in different geographic areas.

If you are a state limited term employee (LTE) or state employee working less than half-time and you become eligible for WRS participation, you are also eligible for group health insurance benefits at one-half the normal state contribution. If you decline health insurance coverage when first eligible, you have another enrollment opportunity. You can enroll when you meet both of the following: your hours increase **and** you qualify for a higher share of state contribution toward health insurance premium. You must submit a *Health Insurance Application* to your employer prior to the date you first qualify for an increase in state contribution. Your health insurance coverage will become effective the first of the month that you qualify for the increase. If you fail to enroll during this second enrollment opportunity, you will only be eligible to elect health insurance coverage under the Standard Plan with a six-month (180-day) waiting period for preexisting conditions unless you have another enrollment opportunity at a later time.

You may continue to be covered by the state employee group health insurance program during authorized leaves of absence (or layoff) and at retirement, provided you meet the eligibility requirements when you apply for your benefit. If you are approved for a regular disability benefit, LTDI or duty disability benefit administered by the WRS and you have continued to pay your health insurance premiums while your application was pending, you may continue to be covered by the state employee group health insurance program.

If you die, your covered surviving spouse and/or your covered dependent children are eligible to continue under the state employee group health insurance program with the same benefits.

- **Sick Leave Conversion Credits**

The state contributes toward the group health insurance premiums for active employees only. However, if you have accumulated sick leave credits available at the time of retirement, disability, or death, the value of your sick leave credits (referred to as the Sick Leave Conversion Credit program) is used to pay group health insurance premiums for you and/or your surviving spouse/dependent children. Family coverage must be in force at the time of your death.

Sick leave conversion credits are available if you receive **regular** retirement benefits. If you are approved for a disability benefit, you will have the option of using sick leave or converting it to credits for payment of premiums. If when you retire you are covered under the state plan and have other coverage comparable to the group insurance program for state employees, you may be eligible to escrow your sick leave credits for an indefinite period of time after you terminate employment. Under certain conditions, if you die with sick leave credits remaining, your

dependents may also be eligible to escrow your sick leave credits if they have comparable coverage. Contact the Department for more detailed information about escrowing your sick leave credits.

If you are an insured state employee who leaves state service **and** do not take a separation benefit, and have at least 20* years of creditable service when you terminate employment, you are eligible for coverage under the state group plan for an indefinite period of time. You are required to pay all premiums. No sick leave credit use or sick leave escrow is allowed. Participants whose coverage has lapsed are not eligible for this continuation.

If you terminate state employment and do not continue your group coverage, or if you were not enrolled in the state's group coverage at the time of your retirement, you may be eligible to enroll in any offered plan. Health insurance under the state group health insurance program is available to retired state employees who are: 1) receiving a monthly annuity or have received a lump sum annuity under s. 40.25 (1) from the WRS; and to 2) former state employees with 20 years of creditable service who remain participants in the WRS. The health insurance effective date will be the first day of the seventh month following receipt of the application by ETF. If you enroll, you must pay the full premiums; you cannot use sick leave credits, even if you had accumulated sick leave hours remaining when you terminated state employment.

Medicare Requirements

It is **mandatory** that you or your dependents apply for federal Medicare (Part A-*Hospital & Part B-Medical*) when first eligible because of age or disability. This provision is deferred if the subscriber is actively employed. If you are not disabled, the earliest eligibility is age 65. However, Medicare is available before age 65 if you have been on Social Security disability for two years or if you have permanent kidney failure. Your WRS health insurance then acts as a Medicare supplement, with a substantial reduction in premium amount.

You must notify us when you and other eligible family members enroll in Medicare. Failure to do so may result in termination of health insurance coverage. After we know the dates of your Medicare coverage we reduce your group health insurance premium to the appropriate amount.

Long-Term Disability Insurance Program

To be eligible for a Long-Term Disability Insurance (LTDI) benefit from the WRS, you must be totally disabled by a mental or physical impairment that is likely to be of an indefinite duration.

* Note: Non-continuous military service is not creditable until retirement. Therefore, non-continuous military service credit cannot be used to meet the 20-year requirement

You must have earned at least .33 year of creditable service in at least five calendar years during the period that includes the year in which you apply for LTDI benefits plus the preceding seven calendar years. If your disability is work-related, you do not have to meet the service requirement if the Department receives your LTDI application within two years after your last day worked with a participating employer.

The basic monthly LTDI benefit is 40% of your final average salary, or 50% of your final average salary if you are not covered under Social Security based on your own employment. The basic monthly LTDI benefit increases each year by the same percentage as monthly WRS retirement annuities from the fixed trust are increased. In addition to your basic LTDI benefits, until you apply for a benefit from your WRS required account, a supplemental contribution is paid into your WRS account for each month that you are eligible for LTDI benefits. The initial amount of the supplemental contribution is 7% of your final average salary for each month that you meet specific conditions.

You may be required to provide medical evidence that you continue to be disabled. If your physician indicates that you are able to perform the duties of a gainful occupation for which the annual compensation would exceed the earnings limitation, your LTDI benefit will be terminated.

Each year you will be required to certify your earnings from all employment. If you earn more than the statutory “earnings limit” amount during a calendar year, your LTDI benefit will be affected. The first time you reach your earnings limit your LTDI benefit will be suspended. If your benefit is suspended, we will advise you at that time when your benefit will resume. The second time you reach your earnings limit your LTDI benefit will be terminated.

If you are classified as a protective category employee under the WRS, you may qualify for LTDI benefits if disabled to the extent that you can no longer efficiently and safely perform the duties of a protective occupation participant. You must meet the above service requirement **and** be between age 50 and 55 with at least 15 years of creditable service.

The LTDI benefits of a protective category employee who was approved for LTDI benefits because that employee could no longer perform the duties of the protective occupation will be terminated immediately upon reemployment in a law enforcement or firefighting position. If you are employed in a position other than law enforcement or firefighting, your LTDI benefits will be suspended, but not terminated, if you earn more than the earnings limit.

Benefit payments from the federal Social Security program, either disability benefits or regular benefits, would be in addition to the amount payable from an LTDI benefit. However, when you elect to receive retirement benefits from the

WRS, whether in the form of a retirement or separation benefit, your monthly LTDI benefit will be reduced or suspended. You are not required to apply for WRS retirement benefits. However, if you are not already receiving WRS retirement benefits when you reach age 62 or the normal retirement age for your employment category, your monthly LTDI benefits will be reduced by the taxable amount of the normal form retirement annuity you are eligible to receive.

LTDI benefits are payable until age 65. You may qualify for benefits beyond age 65 if your benefit starts at age 61 or later.

LTDI benefits are payable only through the date of your death; there is no LTDI death benefit. However, there may be a death benefit payable from your WRS account.

Consult the *Long-Term Disability Insurance* brochure (ET-5314) for more information about these benefits.

Income Continuation Insurance Program

Income Continuation Insurance (ICI) protection is available to you if you are an employee covered by the WRS, you have participated under the WRS for a period of six months, and your employer is the state or is a local employer which has elected to participate in the ICI program. If you enrolled and you are on an authorized leave, your coverage may be continued for a maximum of 36 months during that leave.

The ICI plan will replace a substantial portion of your salary. In the event you become disabled, benefits for physical or mental disabilities under this program would begin after a waiting period has been satisfied. Rehabilitation training expenses, if approved, will be a benefit of the program.

The ICI plan is intended to cover both short and long-term disabilities. The plan is integrated with all benefits available to you from other state or federal programs. This means that your ICI benefit is reduced by the amount of these other income replacement benefits. Other income replacement benefits include:

- ☐ Worker's Compensation
- ☐ Unemployment Compensation
- ☐ Social Security (regular or disability)
- ☐ Wisconsin Retirement System (retirement, disability retirement, or separation, including lump sums)
- ☐ Long-Term Disability Insurance
- ☐ Part-time employment wages
- ☐ Estimated part-time wages

Benefit provisions differ slightly depending on your employer, as shown below:

	UW Faculty	All Other State Employees	Local Employees
Benefit Level	Up to 75% of gross salary/maximum \$4,000/month		
Elimination period before benefits begin	As long as accumulated sick leave is available,* with a minimum of 30, 90, 125 or 180 days as employee elects	As long as accumulated sick leave is available,* with a 30 calendar day minimum	30, 60, 90, 120, or 180 days as employee elects
Open Enrollment Period	Within 30 days after completing 6 months under the WRS or 12 months of state employment	Within 30 days after completing 6 months under the WRS or during January following a year in which you accumulated 80, 520, 728 or 1,040 hours of sick leave	Within 30 days after completing 6 months under the WRS
Basis of Premium	Salary, accumulated sick leave balance, and selected elimination period	Salary and accumulated sick leave balance	Salary in previous calendar year and selected elimination period

* Participating employees whose compensation plan or contract provides for converting unused sick leave to pay group health insurance premiums, **and** who qualify for a disability benefit, can either use sick leave until exhausted or convert it for credits to pay health insurance premiums. The elimination period applicable to that employee must still be satisfied.

Consult the *State Employee Income Continuation Insurance* brochure (ET-2106) or *Local Government Employees Income Continuation Insurance* brochure (ET-2129) for more information about these benefits.

LONG-TERM CARE INSURANCE

Long-Term Care Insurance is an optional insurance available to State of Wisconsin and University of Wisconsin employees and annuitants including their spouses, parents and spouse's parents. By statute, the Board must offer Long-Term Care policies that meet the Board's requirements if the insurer requests that the policy be offered. The Long-Term Care program for state employees may cover expenses usually not covered by group health insurance including: long-term home health care, assisted living, community-based care (adult day care) and nursing home care. The Department of Employee Trust Funds monitors the program.

Any state, university or University Hospital and Clinic employee or annuitant may apply for this coverage. Spouses and parents of state employees and annuitants can also apply. You may apply for coverage at any time. There is no open enrollment period because all applications are subject to medical underwriting. Some illnesses or pre-existing conditions will disqualify you from the plans. However, once your policy is issued, coverage will not be limited or excluded for any pre-existing conditions or illnesses.

There is no employer contribution for this benefit; you pay the full premium. Current state employees can pay automatically through a deduction from their paychecks, automatic transfer from a personal bank account, or direct billing. Annuitants can pay through automatic transfer from a bank account or through direct billing.

The Office of the Commissioner of Insurance (OCI) publishes a free *Guide to Long-Term Care* (PI-047) to help you evaluate your long-term care needs. If you would like a copy of the Guide, Wisconsin callers may contact OCI at 1-800-236-8517; callers outside Wisconsin may contact OCI by calling (608) 266-3585. OCI may also be contacted via their internet site at oci.wi.gov. If you would like information regarding the insurers approved to offer long-term care insurance to state employees and their families, you may check our Internet site at etf.wi.gov or contact us toll free at 1-877-533-5020 or (608) 266-3285 (local Madison).

Conversion of Life Insurance To Pay Long Term Care Insurance (State Retirees Only)

The value of your Basic life insurance coverage may be converted to pay for your long-term care insurance premiums after age 66. The conversion value (the “present value”) of your coverage is always less than the face amount of your life insurance.

DEFERRED COMPENSATION PROGRAM

ETF offers a deferred compensation program to state employees and to local government employees whose employers join the program. The deferred compensation program’s Administration Office is located at 902 Ann Street, Suite A, Madison WI 53713. Call toll-free 1-800-257-4457 or (608) 256-6200 (local Madison). Information about this benefit program can be obtained by contacting the administrator or through the Plan’s web site at www.wdc457.org.

The Wisconsin Deferred Compensation Program (WDC) is a supplemental retirement savings program regulated by Section 457 of the Internal Revenue Code. Eligible employees may invest a portion of before-tax earnings (up to the maximum allowed by Sec. 457) through payroll deduction in any of the investment options offered by the program.

One of the advantages in saving through the WDC is that you postpone paying state and federal income taxes on both the deferred earnings and investment income until the account is distributed to you.

You can receive your account balance when you terminate employment (regardless of your age), upon retirement or death, or in case of extreme financial emergency as defined by Sec. 457. Unlike other tax-sheltered savings programs, payouts from the WDC prior to age 59½ are not assessed a tax penalty.

The Deferred Compensation Board selects the investment options offered by the WDC. Currently there are fixed interest rate options and several mutual funds with varying investment objectives. Participants may select one or more of the

available options for their deferrals and may transfer their account balance between investment options as often as they like, without any restrictions or additional fees. The Board currently contracts with National Retirement Solutions to provide administrative recordkeeping and customer services.

EMPLOYEE REIMBURSEMENT ACCOUNTS

ETF also offers an optional Employee Reimbursement Accounts program (ERA), jointly administered by the Department and a third-party plan administrator secured by competitive bid.

The ERA program is an optional tax-free benefit for state employees. It allows participants to earmark a part of their pre-tax gross salary to pay certain IRS-approved expenses. There are three kinds of expenses eligible for this favorable tax treatment:

- the employee's share of state group life, state group health, and EPIC excess medical insurance premiums
- dependent care expenses that allow the employee and spouse to work
- most out-of-pocket medical expenses not reimbursable by any insurance coverage (e.g., co-pays, deductibles, glasses, prescription drugs, etc.)

By earmarking part of their pre-tax salary to pay these kinds of expenses, participants effectively reduce their taxable gross income. This in turn significantly reduces their state and federal tax liability and increases their take-home salary.

Enrollment for the dependent care and medical expense reimbursement accounts is open every fall for the following calendar year. State group life and state group health insurance premiums are automatically taken from employee's pre-tax salary unless an employee files a waiver form asking that this not be done.

Additional information about the ERA program can be obtained by calling the present contract administrator, Fringe Benefits Management Company, at 1-800-342-8017.

OTHER INFORMATION CONCERNING THE WISCONSIN RETIREMENT SYSTEM (WRS)

Account Balances

Statements of Benefits are produced once a year, and include contributions received and recorded on your account. Contributions received after the annual cutoff date will appear on your next statement. The statement also includes interest

credited on the preceding year's balances. (Note: Contributions begin to earn interest in the calendar year after they are received by the Department.) For most participants, the annual statements also provide a monthly retirement benefit earned to date.

If you terminate employment and leave your funds with the WRS, be sure to keep the Department informed of your current address so that we can send you an annual *Statement of Benefits*. Failure to notify the Department of your current address could ultimately result in forfeiture of your account.

Variable Annuity Program

Prior to April 30, 1980, employees could elect to participate in the Variable Trust by filing an election with the WRS. The Variable Trust was closed to new participants between April 30, 1980 and December 31, 1999. A 1999 statutory change reopened the Variable Trust to active WRS participants. Effective January 1, 2000, active WRS participants are eligible to file an election (ET-2356) to participate in the Variable Trust.

PARTICIPATING IN THE VARIABLE TRUST

- **Current Active WRS Participants:** Your election to participate in the Variable Trust is effective on the January 1 after the election form (ET-2356) is received by the Department.
- **New active WRS participants:** If the Department receives your election form (ET-2356) within 30 days of the start of your WRS participating employment, your participation in the Variable Trust is effective immediately. An election form that is received by the Department more than 30 days after the start of WRS participating employment is effective on the January 1 after it is received by the Department.

NOTE: A participant who is on an official leave of absence is considered to be an active participant.

An election to participate in the Variable Trust authorizes the investment of one-half of your future contributions plus an equal amount of employer contributions in the Variable Trust, which consists of equity securities, primarily common stocks. The election applies only to future contributions; you cannot transfer past contributions into the Variable Trust. If you elect variable annuity participation, part of your retirement or disability annuity will be paid as a fixed annuity and part as a variable annuity.

If you close your account by taking a separation benefit, your variable election is automatically cancelled. Participants in the Variable Trust who do not close their WRS accounts may also cancel their variable participation. An *Election to Cancel Variable Participation* is effective on the January 1 after it is received by the

Department. As of January 1, 2000, active participants who have cancelled their original Variable Trust participation have one opportunity to re-enroll in the Variable Trust. The election applies only to future contributions; participants cannot transfer past contributions into the Variable Trust.

Retirement Fund Investments

The assets of the WRS are by law invested by the State of Wisconsin Investment Board, an independent state agency. The assets are divided into a Fixed Retirement Investment Trust and a Variable Retirement Investment Trust.

All contributions credited to your individual account accumulate earnings. Interest is credited to fixed accounts and a net gain or loss is credited to variable accounts.

Investment earnings are credited at the end of each year on the balances in the account at the beginning of the year.

Investment in Contract

Your Investment in Contract (IIC) is the amount in your account that was actually contributed by you, normally through payroll deductions, on which you have already paid income taxes. The remainder of your account consists of employer–paid contributions and accumulated interest. Your IIC is used to determine the non–taxable amount of your benefit when you begin receiving payment(s). The amount of your benefit in excess of your IIC is fully taxable.

Social Security

All participating employees in the WRS are also covered for their service by the federal Social Security system except:

- Firefighters are normally not covered.
- Teachers who, as active members of the State Teachers Retirement System or the Milwaukee Teachers Retirement System, had a choice in 1956-57 for Social Security coverage as teachers and elected against such coverage, remain excluded if in subsequent enrollment periods they did not elect to transfer to the covered group.

(NOTE: Beginning April 1, 1986, newly hired employees in the above two excluded groups are covered for the Medicare portion of Social Security.)

- Certain other employment situations are excluded from Social Security such as foreign nationals on F-1 or J-1 visas.

You must contact the federal Social Security Administration office for information regarding benefits under that system.

Social Security Number

You are required to provide us with your Social Security number. It is used to maintain a record of contributions and other data needed to pay retirement benefits to you, as well as to report to the federal Internal Revenue Service.

The authority to require your Social Security number is found in Wis. Stat. § 40.03 (2) (h).

Qualified Domestic Relations Orders

If you are divorced after January 1, 1982, your WRS account or annuity can be divided between you and an alternate payee upon receipt by the Department of a Qualified Domestic Relations Order (QDRO). The QDRO can award the alternate payee up to 50% of your account value on the decree date.

Obtaining Information about your Account

With proper identification, we can provide most information about your account by telephone. This includes such data as account balances, pension information, insurance information, and status of pending benefit applications. Certain sensitive information is not available by telephone. If you want the Department to provide information to someone else, we must receive a written request from you. Please allow 4–6 weeks for reply.

Personally identifiable information such as your Social Security number, date of birth, etc., will not be used for any purpose other than for the administration of the benefit programs administered by the Department of Employee Trust Funds.

BENEFICIARY DESIGNATION

Who Completes A *Beneficiary Designation*

If you are the owner of a Wisconsin Retirement System (WRS) account from which a death benefit or life insurance benefit would be payable upon your death, you may file a beneficiary designation. Most WRS participants, some alternate payees (former spouses) of participants, and some beneficiaries of deceased participants are eligible to name their beneficiary(ies). If no *Beneficiary Designation* is on file, death benefits will be paid according to the statutory standard sequence in effect on the date of death as explained in the “Naming standard sequence” section.

Completing A *Beneficiary Designation*

Objective. Our objective is to ensure prompt payment of any death benefits available upon your death, as specified by you on the *Beneficiary Designation* form.

Clarity is required. Clarity is necessary when you complete a *Beneficiary Designation* form, in order to avoid any questions as to your intent. Department staff will review your designation and may reject it if it is unclear or confusing. Nicknames, overwriting, erasures, “white-out,” crossed-out words, numerals denoting order of beneficiaries, special instructions and notations, references to future events, or use of the word “or” in naming beneficiaries will result in our rejecting your designation and returning it to you. Designations by letter, copies of designation forms (instead of original, official, signed designation forms) and designations with attached pages will also be rejected.

Simplicity is desirable. Because your designation may remain in effect for many years and applies to all benefit plans and accounts to which you may become entitled, we recommend against filing lengthy or complex designations. If you wish to name a large number of beneficiaries, anticipate frequent changes in your beneficiaries, prefer to make special arrangements for each benefit plan or account, or want to impose special conditions on some benefits, you should consider naming your estate or a trust. Your death benefits administered by this Department would then be distributed under the terms of your will or trust document.

After designating a beneficiary or beneficiaries, sign and date the designation at the bottom of the form. Unsigned and/or undated forms will be returned to you. Forms dated with a future rather than a current date will be rejected and returned to you.

Submit the form to the Department of Employee Trust Funds at the address listed on the front of the form. Make a photocopy of the completed form and keep it for your records. An acknowledgment notice will be sent to you.

Once the *Beneficiary Designation* is properly completed, is received and approved by our Department, it remains in effect until you file a new designation or until there are no further benefits payable. EXCEPTION: This designation will be set aside, and standard sequence will govern payment of your retirement account death benefits, if the Department makes a mandatory distribution of your retirement account to you. Designations continue to be applicable to any life insurance or beneficiary account that may be payable. If you subsequently reestablish eligibility for benefits after closing an account, the previously filed *Beneficiary Designation* is invalid.

The designation you file will be effective for all benefit plans and accounts. Unless otherwise specified on the *Beneficiary Designation* form, a *Beneficiary Designation* form filed with this Department will apply to the benefits payable upon your death from all benefit plans and accounts administered by this Department. Life insurance and Wisconsin Retirement System benefits are separate benefit plans. This does not include benefits from the Deferred Compensation

Program. The separate accounts you may hold are your own account and/or those you may own as a beneficiary or an alternate payee.

If you wish to name different beneficiaries for separate benefit plans or accounts, please contact the Department toll-free at 1-877-383-1888, 1-877-533-5020 or at (608) 266-3285 (local Madison) to request forms and special instructions. If you file a *Beneficiary Designation* form for a specific benefit plan or account and subsequently file a form which does not specify a benefit plan or account, the new designation will supersede all previously filed designations.

Please contact the administrator of the Deferred Compensation Program for details regarding naming or changing beneficiaries for your Deferred Compensation Program account.

The designation of a beneficiary filed with the Department of Employee Trust Funds does not apply to any life insurance program not administered by our Department.

Effects of federal distribution requirements. Federal tax law requires retirement benefits to be distributed (paid) to a participant or beneficiary by certain deadlines. After your death, if we cannot locate your beneficiaries within the legal deadlines, the benefit will be forfeited. Therefore it is very important for you to keep address information for your beneficiaries current.

Options Available For Designating A Beneficiary

Naming your estate. If you designate your estate, the distribution of your funds will be determined by your will, or Wisconsin's intestacy laws if you leave no will.

If you want to name your estate as beneficiary, simply enter the word "estate" on the *Beneficiary Designation* form. Do not include the name of your personal representative or the executor. The benefit will be made payable to your estate. It will be the responsibility of your executor to distribute the proceeds.

Naming standard sequence. Currently under standard sequence established in Wis. Stat. § 40.02 (8) (a), any benefit payable is paid to the person or persons in the lowest numbered group below. No payment will be made to a person included in any group if there is a living person or persons in any of the preceding groups. Payment to two or more persons included in any group will be made in equal shares.

The standard sequence described below is subject to change, based on changes in state statutes. If benefits are paid according to standard sequence, the statutory standard sequence in effect at the time of your death will determine your beneficiary(ies).

The present statutory standard sequence is as follows:

- Group 1. Widow or Widower
- Group 2. Children (natural children or legally adopted). If at least one child survives the participant, the share of any deceased child is payable to the surviving spouse of the child or to the surviving children of the child if there is no spouse, or otherwise to the other children in this group.
- Group 3. Grandchild or Grandchildren
- Group 4. Parent(s)
- Group 5. Brother(s) and Sisters(s)

If there are no survivors in Groups 1 through 5 above, death benefits will be paid to your estate.

Standard sequence is the simplest method of establishing a benefit payment sequence since it does not require revision to add new children, deletions in the event of divorce, etc.

If you want to name standard sequence as beneficiary, simply enter the words “standard sequence”. **Do not include any specific names.**

If the standard sequence does not meet your needs, you may complete and file a form with the Department naming specific beneficiaries. Contact your employer or this department to receive a copy of the appropriate form.

If you file a *Beneficiary Designation* form rather than rely on statutory standard sequence, be sure to update your designation as need to reflect changes in your personal situation. **By law, death benefits must be paid according to your most recent designation on file regardless of changes in your personal situation, such as divorce, remarriage, etc.**

Naming a trust. Under the statutes you can name a living trust or a testamentary trust as your beneficiary. The specific name of the trust is usually identified by reference to the purpose, the creator or the primary beneficiary such as “Trust for. . .” or “Trust of. . .”.

- **Living trust.** A living trust can be set up at a bank or other financial institution. The implications of setting up a living trust, including the tax consequences, should be discussed with representatives of the institution where you are setting up the trust. The preferred format for a living trust includes:
 - 1) The specific name of the trust,
 - 2) The date the trust was created,
 - 3) The name of the trustee,

- 4) Followed by the word “trustee,” and
- 5) The trustee’s address.

We recommend that a successor trustee other than yourself be included in your designation of a living trust. Upon your death, the successor trustee will be contacted about the death benefits payable.

Living Trust Example

THE LIVING TRUST OF JANE J. SMITH, 01/01/2000		
JANE J. SMITH, TRUSTEE		
ALBERT J. DOE, SUCCESSOR TRUSTEE, 123 MAIN STREET, ANYTOWN, WI 53000		

- **Testamentary trust.** A testamentary trust does not come into existence until you die and any preconditions established by your will are met. Usually a will must be probated before a death benefit can be paid to a testamentary trust. You should take this fact into consideration if you decide to name a testamentary trust.

The preferred format for a testamentary trust includes:

- 1) The specific name of the trust,
- 2) “Created under my last Will and Testament,”
- 3) The name of the trustee,
- 4) Followed by the word “trustee,” and
- 5) The trustee’s address.

Do not include the date of the will for testamentary trusts since the *Beneficiary Designation* would then not apply if that will is not your last Will and Testament. In such cases, the death benefit would be paid according to standard sequence.

Testamentary Trust Example

JOHN L. DOE TRUST, CREATED UNDER MY LAST WILL AND TESTAMENT		
SUE J. SMITH, TRUSTEE, 123 MAIN STREET, ANYTOWN, WI 53000		

Naming specific beneficiaries (Primary, Secondary). If you list primary or secondary beneficiaries, be sure to include the full name, Social Security number, sex, birthdate, relationship, and address of each beneficiary. This will facilitate payment of the death benefits to your beneficiary(ies).

Payment progression. Your death benefits will be paid first to your primary beneficiaries. If some of your primary beneficiaries die before you, your death benefit will be divided among those primary beneficiaries who are still living.

Secondary beneficiaries will receive benefits only if no primary beneficiary survives you.

If you wish to specify who shall receive a primary beneficiary's share if a primary beneficiary is deceased, you must use an Alternate Beneficiary form. You can request this form from the Department of Employee Trust Funds.

Equal shares unless otherwise specified. If you name two or more persons as beneficiaries at one level (primary or secondary), payment will be made in equal shares to the beneficiaries at that level unless you specify an amount or percentage for different beneficiaries.

If you specify percentages to be paid to beneficiaries at one level, the percentages at each level must total 100%. If you specify amounts to be paid to beneficiaries at one level, the amounts at each level must total the full amount payable. (Please note that while it may be possible to specify dollar amounts for life insurance benefits, it is unrealistic to enter specific dollar amounts for WRS death benefits because the amount payable will continuously change.)

Future children. Children (or grandchildren) not yet born (or adopted) may be included on a *Beneficiary Designation* form only by using the following statement: **"I also include as beneficiaries as if each were specifically and individually named herein, any and all of my natural or legally adopted children (grandchildren)."**

Guardian/Conservators. A legal guardian or conservator of the estate may sign a *Beneficiary Designation* form on behalf of a participant. The guardian or conservator must also submit a photocopy or facsimile of an order of guardianship or conservatorship.

Questions. If you have questions about a *Beneficiary Designation*, please contact the Department at the address shown on the form or call the telephone numbers on the last page.

When corresponding with this Department, be sure to include the following information which will help us identify your account:

- Your name
- Your Social Security number
- Your date of birth

The Department of Employee Trust Funds does not discriminate on the basis of disability in the provision of programs, services or employment. If you are speech, hearing or visually impaired and need assistance, call toll free at 1-877-533-5020 or (608) 266-3285 (local Madison) or TTY (608) 267-0676. We will try to find another way to get the information to you in a usable form.

**Department of Employee Trust Funds
P. O. Box 7931
Madison, WI 53707-7931**

**WISCONSIN RETIREMENT SYSTEM
PUBLICATIONS**

*Many of the publications listed below are available through our Internet site: etf.wi.gov.
You may also call us toll free at 1-877-533-5020 or (608) 266-3285 (local Madison) and request the publications.*

ITEM DESCRIPTION	FORM #	ITEM DESCRIPTION	FORM #
Retirement Benefits		Insurance	
Benefit Information Request	ET-7301	Group Health Ins Premium Rates by County - Local	ET-1730
Information for Retirees	ET-4116	Group Health Ins Premium Rates by County - State	ET-4701
Applying for Your Retirement Benefit	ET-4106	Standard & HMP Plans - State	ET-2112
Calculating Your Retirement Benefits	ET-4107	Standard & HMP Plans – Local	ET-2131
Choosing an Annuity Option	ET-4117	Converting Group Life Insurance To Pay Health or Long Term Care (LTC) Insurance Premiums	ET-2325
Tax Liability on WRS Benefits	ET-4125	Life Insurance Conversion Application (Participant or Spouse & Dependent)	ET-2306
How Divorce Can Affect Your WRS Benefits	ET-4925	The Wisconsin Public Employees Group Life Insurance Plan	ET-2101
How Participation in the Variable Trust Affects Your WRS Benefits	ET-4930	It's Your Choice for State Employees	ET-2107
Separation Benefits	ET-3101	It's Your Choice for Local Employees	ET-2128
Creditable Service		Group Life Insurance After You Terminate Employment	ET-4104
Buying Creditable Service	ET-4121	Group Health Insurance - Annuitants	ET-4112
Military Service Credit	ET-4122	Local Annuitant Health Ins (For other than State Employees)	ET-9019
Buying Other Governmental Service	ET-2207	Miscellaneous	
Contributions (Voluntary)		Pre-Retirement Planning Program offered through Wisconsin Technical Colleges	ET-4131
Additional Contributions	ET-2123	Telephone Message Center (Prerecorded Benefit Messages)	ET-7348
Maximum Additional Contribution Worksheet	ET-2566	Your Benefit Handbook (Summary of all Benefits)	ET-2119
Disability		How Part-time Employment Affects Your Benefits	ET-2121
Disability Benefits	ET-5102	Investment Earnings Distributions Report	ET-2124
§ 40.65 Duty Disability and Survivor Benefits (Protective Employees)	ET-5103	Deferred Compensation	
Death Benefits		Wisconsin Deferred Compensation Program – Call 1-800-257-4457 or Madison Local 256-6200	
Death Benefits (Summary of all benefits)	ET-6101	Contact Your Employer For	
Beneficiary Designation	ET-2320	Income Continuation Insurance - State	ET-2106
Beneficiary Designation (Alternate)	ET-2321	Income Continuation Insurance - Local	ET-2129
		Long-Term Disability Insurance	ET-5314

Contacting the Department of Employee Trust Funds

Self-Service Toll-Free Telephone Services

Available 24 hours a day, seven days a week. You must have a touch-tone telephone to use these systems.

SELF-SERVICE LINE: Call 1-877-383-1888 or (608) 266-2323 (local Madison) to request forms and brochures. Wisconsin Retirement System annuitants may also change their home mailing address or tax withholding election through this self-service line.

TELEPHONE MESSAGE CENTER: Call 1-800-991-5540 or (608) 264-6633 (local Madison) to hear detailed recorded messages covering a variety of Wisconsin Retirement System topics.

Note: *You will not be able to talk to a "live" person using these systems. To speak to a benefits specialist, call the telephone numbers listed below.*

To Visit our Internet Site

Access the Internet site at etf.wi.gov. A tremendous amount of information is on-line regarding the Wisconsin Retirement System and other benefit programs. You may even e-mail the Department through this site.

To Call During Office Hours

Office Hours: 7:45 am to 4:30 pm, Monday through Friday
(except holidays)

Toll Free: 1-877-533-5020

Madison: Main Line: (608) 266-3285
To make an appointment: (608) 266-5717
TTY (Teletypewriter for hearing & speech impaired):
(608) 267-0676

Milwaukee: To make an appointment: (414) 227-4294

To Write Us

Department of Employee Trust Funds
P.O. Box 7931
Madison, WI 53707-7931

To Visit Us

(An appointment is recommended)

Madison: 801 West Badger Road
Milwaukee: 819 North Sixth Street, Room 550